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Security Council Committee established pursuant to resolution 1718 (2006)

Note verbale dated 16 February 2018 from the Permanent Mission of Hungary to the United Nations addressed to the Chair of the Committee

The Permanent Mission of Hungary to the United Nations presents its compliments to the Chair of the Security Council Committee established pursuant to resolution 1718 (2006) and has the honour to transmit herewith the report of Hungary on the implementation of Security Council resolution 2371 (2017) (see annex I) and the report of Hungary on the implementation of Security Council resolution 2375 (2017) (see annex II).

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Annex I to the note verbale dated 16 February 2018 from the Permanent Mission of Hungary to the United Nations addressed to the Chair of the Committee

Report of Hungary on the implementation of Security Council resolution 2371 (2017)

Hungary and the other States members of the European Union have jointly implemented the restrictive measures against the Democratic People's Republic of Korea imposed by the Security Council in its resolution 2371 (2017) by adopting the following common measures.[1]

Common implementing measures

1. Council Implementing Decision (CFSP) 2017/1459 of 10 August 2017 implementing Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea, implementing the designation of additional persons and entities (travel ban and asset freeze).

2. Council Decision (CFSP) 2016/849, which is binding for all States members of the European Union, orders a complete embargo on arms and related materiel to the Democratic People's Republic of Korea. This prohibition covers every item on the Common Military List of the European Union. The embargo applies to the export and import of these items as well as the related services.

3. Hungary applies the above-mentioned restrictions in line with the provisions of Government Decree No. 157/2017 concerning the licensing of military technology-related activities and certifications of undertakings, which ensures that every trade activity related to arms and related materials is subject to licensing and that a negative decision is mandatory, inter alia, for transactions contravening the international obligations of Hungary.

4. Based on the provisions of Council Regulation (EU) 2017/1509 of 30 August 2017 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No. 329/2007, States members of the European Union have in place a strict prohibitive regime on the export of dual-use items to the Democratic People's Republic of Korea, which bans the export of any item contained in annex I to Council Regulation (EC) No. 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. Moreover, it designates other proliferation-sensitive items and materials that may contribute to the weapons of mass destruction- or missile-related programmes of the Democratic People's Republic of Korea.

5. Council Regulation (EU) 2017/1509 implements restrictive measures on conventional arms- and weapons of mass destruction-related items, which are to be determined in accordance with paragraphs 4 and 5 of Security Council resolution 2371 (2017).

6. The catch-all policy enshrined in article 4 of Council Regulation (EC) 428/2009 also prevents the Democratic People's Republic of Korea from obtaining conventional arms-, weapons of mass destruction- and missile-related technologies from the European Union.

[1] All common measures are published in the *Official Journal of the European Union*.

7. Commission Implementing Regulation (EU) 2017/1457 of 10 August 2017 amending Council Regulation (EC) No. 329/2007 concerning restrictive measures against the Democratic People's Republic of Korea.

8. Council Decision (CFSP) 2017/1562 of 14 September 2017 amending Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea, which sets out the commitment of the European Union to the implementation of the measures contained in Security Council resolution 2371 (2017):

(a) Prohibition on the entry into the ports of Member States of any vessel designated by the Committee pursuant to paragraph 6 of resolution 2371 (2017) unless entry is required because of emergency or in the case of return to its port of origination. The Committee can grant an exemption under certain conditions;

(b) Clarification that the prohibition on owning, leasing or operating any vessel flagged by the Democratic People's Republic of Korea also includes chartering vessels flagged by that country, pursuant to paragraph 7 of resolution 2371 (2017);

(c) Prohibition on procuring coal, iron and iron ore from the Democratic People's Republic of Korea. The prohibition does not apply if the conditions mentioned in paragraph 8 of resolution 2371 (2017) are met;

(d) Prohibition on procuring seafood from the Democratic People's Republic of Korea, pursuant to paragraph 9 of resolution 2371 (2017);

(e) Prohibition on procuring lead and lead ore from the Democratic People's Republic of Korea, pursuant to paragraph 10 of resolution 2371 (2017);

(f) Prohibition on exceeding, on any date after 5 August 2017, the total number of work authorizations for nationals of the Democratic People's Republic of Korea provided in the jurisdictions of Member States and valid on 5 August 2017. The Committee can grant an exemption on a case-by-case basis under certain conditions (resolution 2371 (2017), para. 11);

(g) Prohibition on opening new joint ventures or expanding existing joint ventures. The Committee can grant an exemption on a case-by-case basis (resolution 2371 (2017), para. 12);

(h) Clarification that the prohibition on transferring funds to or from the Democratic People's Republic of Korea applies also to the clearing of funds, pursuant to paragraph 13 of resolution 2371 (2017);

(i) Clarification that companies performing financial services commensurate with those provided by banks are considered financial institutions (resolution 2371 (2017), para. 14);

(j) Obligation to seize and dispose of items the export of which is prohibited by resolution 2371 (2017).

9. Council Regulation (EU) 2017/1548 of 14 September 2017 amending Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea, which gives effect to the measures provided by Council Decision (CFSP) 2017/1562.

Penalties

10. The above-mentioned Council Regulations are binding in their entirety and directly applicable in all States members of the European Union. Council Regulation (EU) 2017/1509 requires States members to determine the penalties applicable to infringement of their provisions.

11. The penalties determined by Hungary are set out in Act C of 2012 on the Criminal Code. Violation of the restrictive measures has criminal law consequences in the following cases:

(a) Terrorist financing;

(b) Violation of international economic restrictions;

(c) Failure to report violations of international economic restrictions;

(d) Criminal offences with military items and services;

(e) Smuggling of illegal immigrants;

(f) Facilitation of unauthorized residence.

12. In addition to the criminal law consequences, the government office of the capital city, Budapest, may impose a fine ranging from 100,000 to 5,000,000 forints on a person who negligently violates the obligation to respect foreign trade restrictions imposed by international sanctions.

National institutions applying the financial and asset-related restrictive measures

13. The National Assembly of Hungary adopted Act LII of 2017 on the implementation of financial and asset-related restrictive measures ordered by the European Union and the Security Council in May 2017, and the Act entered into force on 26 June. The Hungarian authorities apply the restrictive measures of the Security Council directly on the basis of the Act.

14. According to the provisions of the new Act, financial and non-financial service providers (determined by Act LIII of 2017 on preventing and combating money-laundering and terrorist financing) are obliged to prepare internal rules. In addition, the service providers must have a screening system that ensures the prompt implementation of targeted financial sanctions. Furthermore, the rules related to data protection, the exemption procedure and the prohibition on making funds or economic resources available and restrictions on the transfer of funds, as well as a special type of legal remedy, have been reviewed and clarified in the Act.

15. The Central Bank of Hungary, as a supervisory authority, informs directly the associations of the supervised service providers (e.g., the Hungarian Banking Association, the Hungarian Leasing Association, the Association of Hungarian Insurance Companies, the Association of Investment Services, the Association of Hungarian Investment Fund and Asset Management Companies, the Hungarian Venture Capital and Private Equity Association) about relevant changes to restrictive measures and sanctions.

16. As a new element of the legislative framework, as of 20 July 2017, sections 32–34 of Decree No. 19/2017. (VII. 19.) of the Central Bank contain provisions concerning the development of a screening system for the implementation of restrictive measures imposed by the European Union and the Security Council relating to funds and other financial interests, and the minimum requirements for the operation of the sanctions screening system.

17. On 18 September 2017, the Central Bank organized a professional workshop together with the Hungarian financial intelligence unit and the counter-terrorism information and criminal analyses centre. A total of 65 professionals of nine associations participated in the event and discussed the targeted financial sanctions (e.g., United Nations resolutions against the Democratic People's Republic of Korea).

18. Based on Act LII of 2017, the Hungarian financial intelligence unit is the central authority for the implementation of financial and asset-related restrictive measures. Regarding the sanctions related to the Democratic People's Republic of Korea, the unit introduced the following measures:

(a) Published all the Security Council resolutions related to the Democratic People's Republic of Korea on its website;

(b) Informed the bodies representing the service providers supervised by the unit about the sanctions.

Annex II to the note verbale dated 16 February 2018 from the Permanent Mission of Hungary to the United Nations addressed to the Chair of the Committee

Report of Hungary on the implementation of Security Council resolution 2375 (2017)

Hungary and the other States members of the European Union have jointly implemented the restrictive measures against the Democratic People's Republic of Korea imposed by the Security Council in its resolution 2375 (2017) by adopting the following common measures.[1]

Common implementing measures

1. Council Implementing Decision (CFSP) 2017/1573 of 15 September 2017 implementing Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea, implementing the designation of additional persons and entities (travel ban and asset freeze).

2. Council Decision (CFSP) 2016/849, which is binding for all States members of the European Union, orders a complete embargo on arms and related materiel to the Democratic People's Republic of Korea. This prohibition covers every item on the Common Military List of the European Union. The embargo applies to the export and import of these items as well as the related services.

3. Hungary applies the above-mentioned restrictions in line with the provisions of Government Decree No. 157/2017 concerning the licensing of military technology-related activities and certifications of undertakings, which ensures that every trade activity related to arms and related materials is subject to licensing and that a negative decision is mandatory, inter alia, for transactions contravening the international obligations of Hungary.

4. Based on the provisions of Council Regulation (EU) 2017/1509 of 30 August 2017 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No. 329/2007, States members of the European Union have in place a strict prohibitive regime on the export of dual-use items to the Democratic People's Republic of Korea, which bans the export of any item contained in annex I to Council Regulation (EC) No. 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items. Moreover, it designates other proliferation-sensitive items and materials that may contribute to the weapons of mass destruction- or missile-related programmes of the Democratic People's Republic of Korea.

5. Council Regulation (EU) 2017/1509 implements restrictive measures on conventional arms- and weapons of mass destruction-related items, which are to be determined in accordance with paragraphs 4 and 5 of Security Council resolution 2375 (2017).

6. The catch-all policy enshrined in article 4 of Council Regulation (EC) 428/2009 also prevents the Democratic People's Republic of Korea from obtaining conventional arms-, weapons of mass destruction- and missile-related technologies from the European Union.

[1] All common measures are published in the *Official Journal of the European Union*.

7. Council Implementing Regulation (EU) 2017/1568 of 15 September 2017 implementing Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea.

8. Council Decision (CFSP) 2017/1838 of 10 October 2017 amending Decision (CFSP) 2016/849 concerning restrictive measure against the Democratic People's Republic of Korea, which sets out the commitment of the European Union to the implementation of the measures contained in Security Council resolution 2375 (2017):

(a) Prohibition on the entry into the ports of Member States of vessels designated by the Committee, pursuant to paragraph 6 of resolution 2375 (2017);

(b) Obligation for Member States that are flag States and that do not consent to inspection of a vessel on the high seas to direct the vessel to proceed to an appropriate and convenient port for the required inspection (resolution 2375 (2017), para. 7);

(c) Deregistration of vessels designated by the Committee pursuant to paragraph 8 of resolution 2375 (2017);

(d) Obligation for Member States to submit a report to the Committee when a flag State does not cooperate with inspections (resolution 2375 (2017), para. 9);

(e) Prohibition on facilitating or engaging in ship-to-ship transfers to or from vessels flagged by the Democratic People's Republic of Korea of any goods or items that are being supplied, sold or transferred to or from the Democratic People's Republic of Korea, pursuant to paragraph 11 of resolution 2375 (2017);

(f) Prohibition on exporting condensates and natural gas liquids to the Democratic People's Republic of Korea (resolution 2375 (2017), para. 13);

(g) Prohibition on exporting refined petroleum products to the Democratic People's Republic of Korea. The prohibition does not apply if the conditions mentioned in paragraph 14 of resolution 2375 (2017) are met;

(h) Prohibition on exporting an amount of crude oil that is in excess of the amount that the Member State exported in the period of 12 months prior to 11 September 2017. The Committee can grant an exemption on a case-by-case basis under certain conditions (resolution 2375 (2017), para. 15);

(i) Prohibition on importing textiles from the Democratic People's Republic of Korea. The prohibition does not apply if the conditions mentioned in paragraph 16 of resolution 2375 (2017) are met. The Committee can grant an exemption on a case-by-case basis;

(j) Prohibition on providing work authorizations for nationals of the Democratic People's Republic of Korea in the jurisdiction of Member States in connection with admission to their territories. The Committee can grant an exemption on a case-by-case basis under certain conditions (resolution 2375 (2017), para. 17);

(k) Prohibition on opening, maintaining and operating joint ventures unless approved by the Committee on a case-by-case basis and an obligation to close existing joint ventures;

(l) Obligation to seize and dispose of items the export of which is prohibited by resolution 2375 (2017).

9. Council Regulation (EU) 2017/1836 of 10 October 2017 amending Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea, which gives effect to the measures provided by Council Decision (CFSP) 2017/1838.

Penalties

10. The above-mentioned Council Regulations are binding in their entirety and directly applicable in all States members of the European Union. Council Regulation (EU) 2017/1509 of 30 August concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No. 329/2007 requires States members to determine the penalties applicable to infringement of their provisions.

11. The penalties determined by Hungary are set out in Act C of 2012 on the Criminal Code. The violation of the restrictive measures has criminal law consequences in the following cases:

(a) Terrorist financing;

(b) Violation of international economic restrictions;

(c) Failure to report violations of international economic restrictions;

(d) Criminal offences with military items and services;

(e) Smuggling of illegal immigrants;

(f) Facilitation of unauthorized residence.

12. In addition to the criminal law consequences, the government office of the capital city, Budapest, may impose a fine ranging from 100,000 to 5,000,000 forints on a person who negligently violates the obligation to respect foreign trade restrictions imposed by international sanctions.

National institutions applying the financial and asset-related restrictive measures

13. The National Assembly of Hungary adopted Act LII of 2017 on the implementation of financial and asset-related restrictive measures ordered by the European Union and the Security Council in May 2017, and the Act entered into force on 26 June. The Hungarian authorities apply the restrictive measures of the Security Council directly on the basis of the Act.

14. According to the provisions of the new Act, financial and non-financial service providers (determined by Act LIII of 2017 on preventing and combating money-laundering and terrorist financing) are obliged to prepare internal rules. In addition, the service providers must have a screening system that ensures the prompt implementation of targeted financial sanctions. Furthermore, the rules related to data protection, the exemption procedure and the prohibition on making funds or economic resources available and restrictions on the transfer of funds, as well as a special type of legal remedy, have been reviewed and clarified in the Act.

15. The Central Bank of Hungary, as a supervisory authority, informs directly the associations of the supervised service providers (e.g., the Hungarian Banking Association, the Hungarian Leasing Association, the Association of Hungarian Insurance Companies, the Association of Investment Services, the Association of Hungarian Investment Fund and Asset Management Companies, the Hungarian Venture Capital and Private Equity Association) about relevant changes to restrictive measures and sanctions.

16. As a new element of the legislative framework, as of 20 July 2017, sections 32–34 of Decree No. 19/2017. (VII. 19.) of the Central Bank contain provisions concerning the development of a screening system for the implementation of restrictive measures imposed by the European Union and the Security Council relating to funds and other

financial interests, and the minimum requirements for the operation of the sanctions screening system.

17. On 18 September 2017, the Central Bank organized a professional workshop together with the Hungarian financial intelligence unit and the counter-terrorism information and criminal analyses centre. A total of 65 professionals of nine associations participated in the event and discussed the targeted financial sanctions (e.g., United Nations resolutions against the Democratic People's Republic of Korea).

18. Based on Act LII of 2017, the Hungarian financial intelligence unit is the central authority for the implementation of financial and asset-related restrictive measures. Regarding the sanctions related to the Democratic People's Republic of Korea, the unit introduced the following measures:

(a) Published all the Security Council resolutions related to the Democratic People's Republic of Korea on its website;

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